



## Which financial Europe for the future?

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## Which financial Europe for the future?

1. The answer of banks on the challenges
2. The financing of the economy is crucial
3. “Funding for Lending” scheme in the UK
4. Crowdfunding
5. Other alternatives

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# 1. The answer of banks on the challenges

- **Deleveraging and downsizing**
  - Work in progress since 2008
  - Asset quality review as accelerator
- **Focus on basic tasks**
  - Transformation of deposits into credits
  - Efficient payment system (less cash, more electronic)
- **Adaption of product mix**
  - Less sophisticated savings- and investment products
  - More transparency
  - Innovation
- **Exit “free” services**
  - Payments
  - Advice for investments and credits
  - All kind of services (wealth management, M&A, succession,...)

# 1. The answer of banks on the challenges

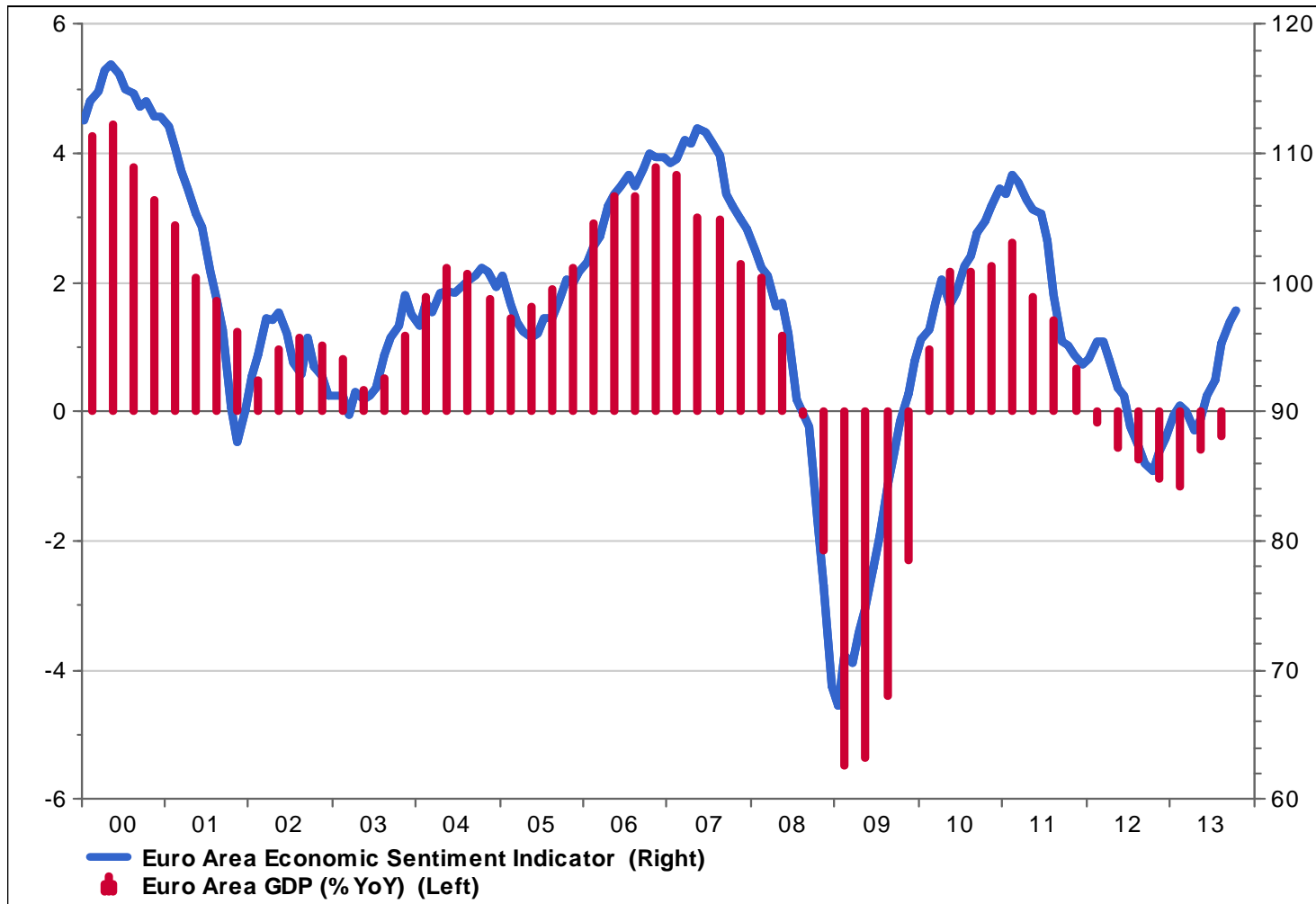
- **Mobile banking in stead of traditional branches**
- **Increased professionalism of employees**
- **Extension of engagement to society**
  - Financing of SME
  - Financial educations of all citizens
  - Partnerships with governments in specific social domains
- **Less shareholders value and more stakeholders value**

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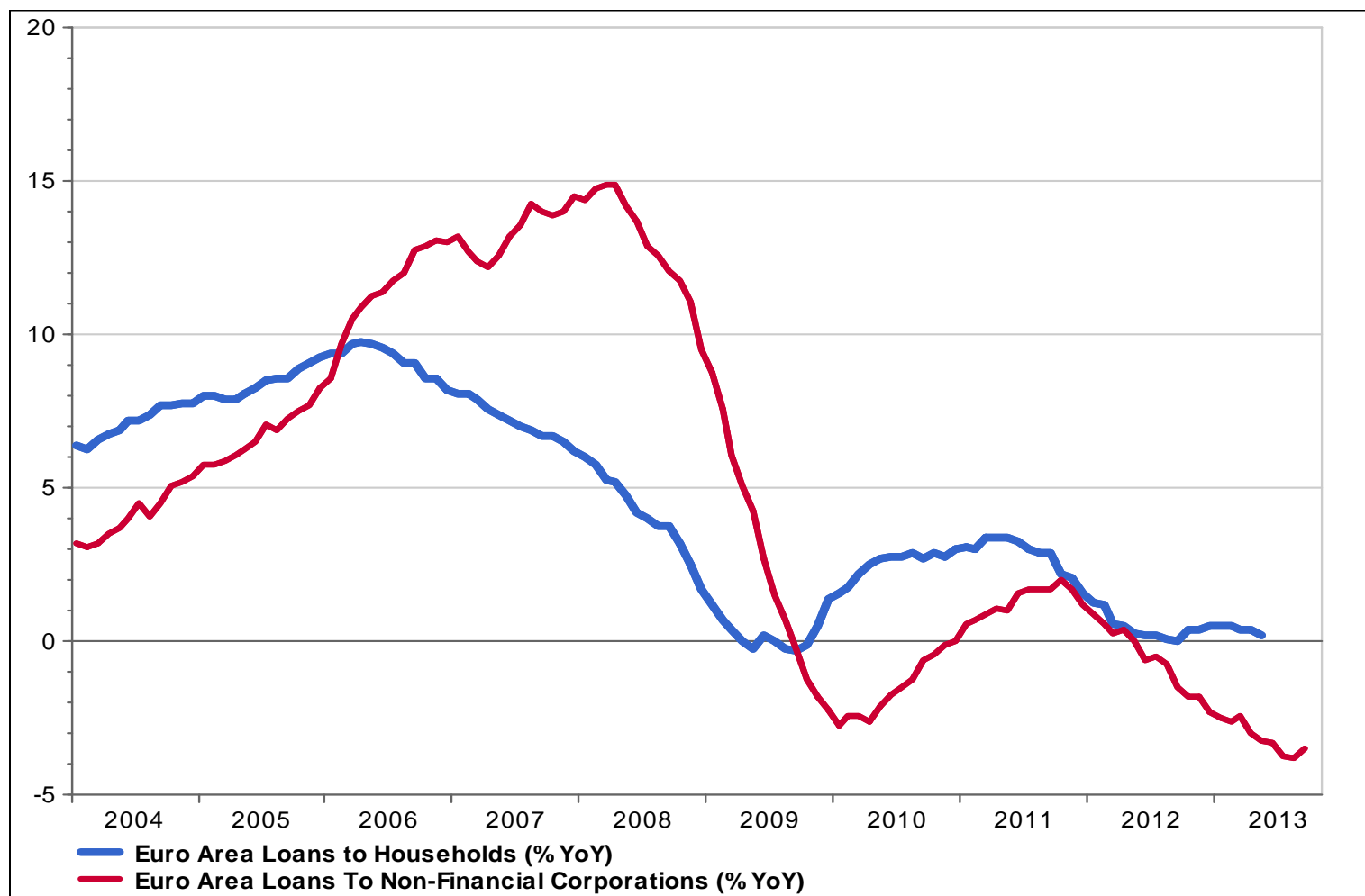
## 2. The financing of the economy is crucial

### ■ Fragile rebound of the euro area economy



## 2. The financing of the economy is crucial

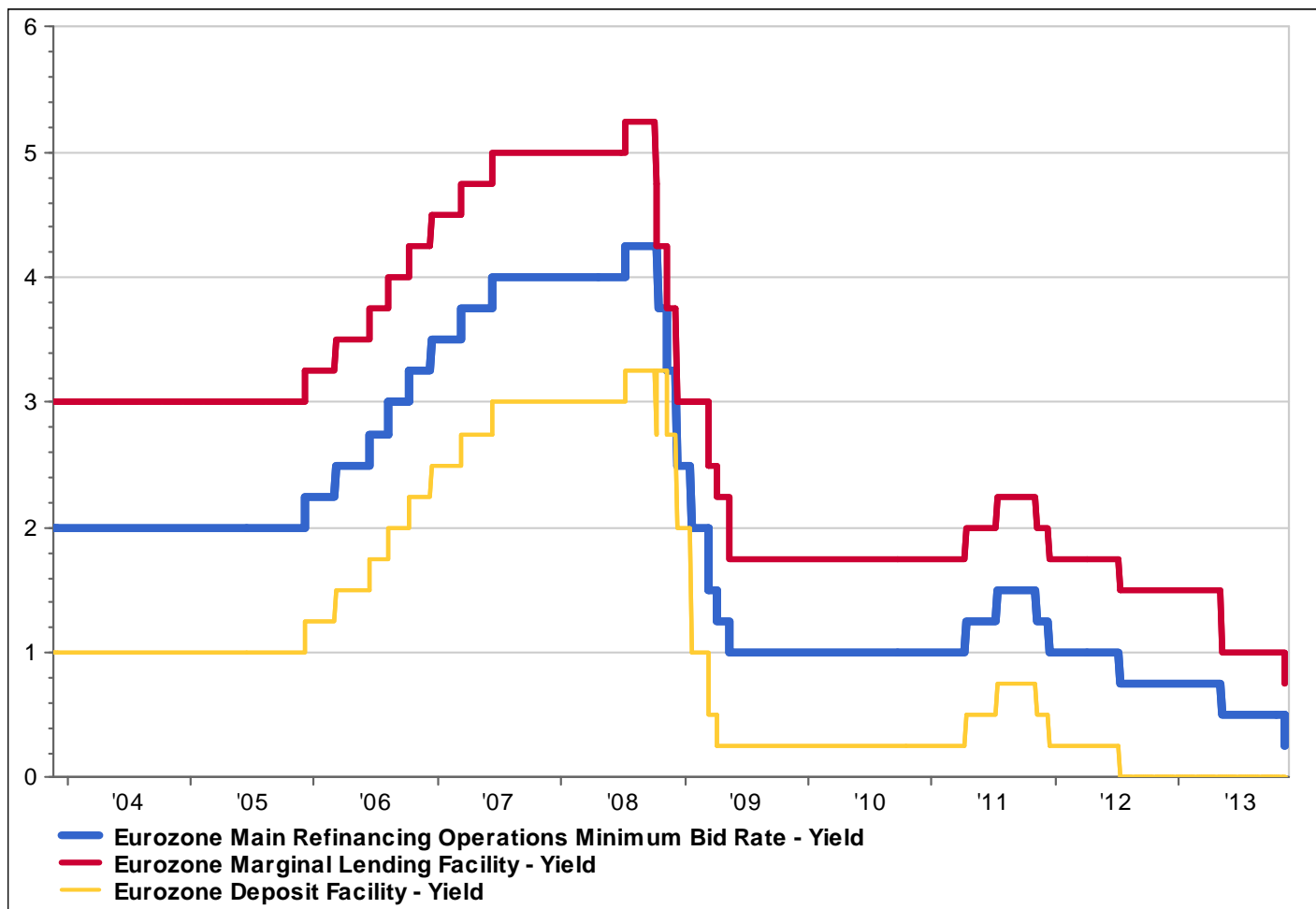
### ■ Lack of credit





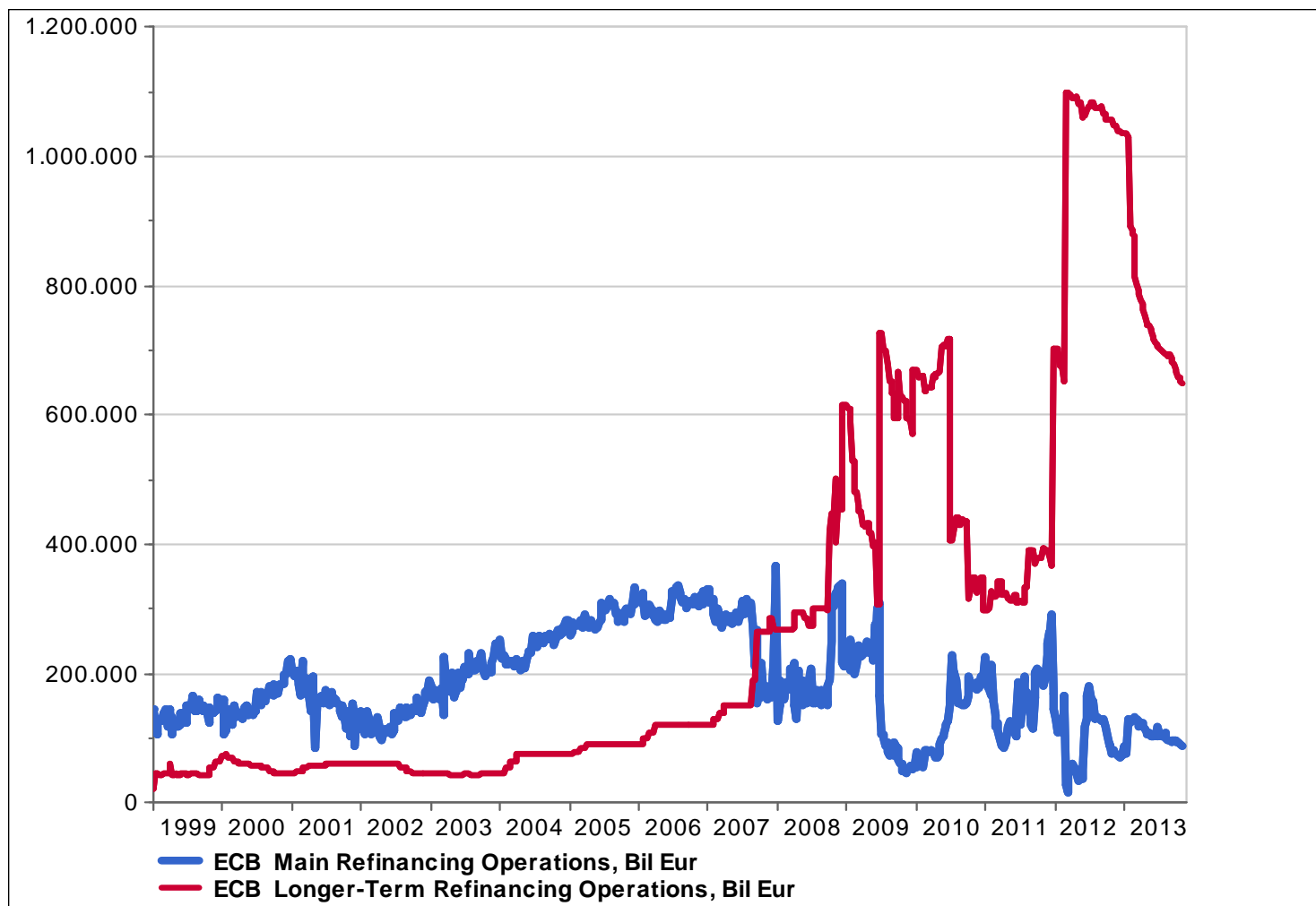
## 2. The financing of the economy is crucial

### ■ ECB interest rates historically low



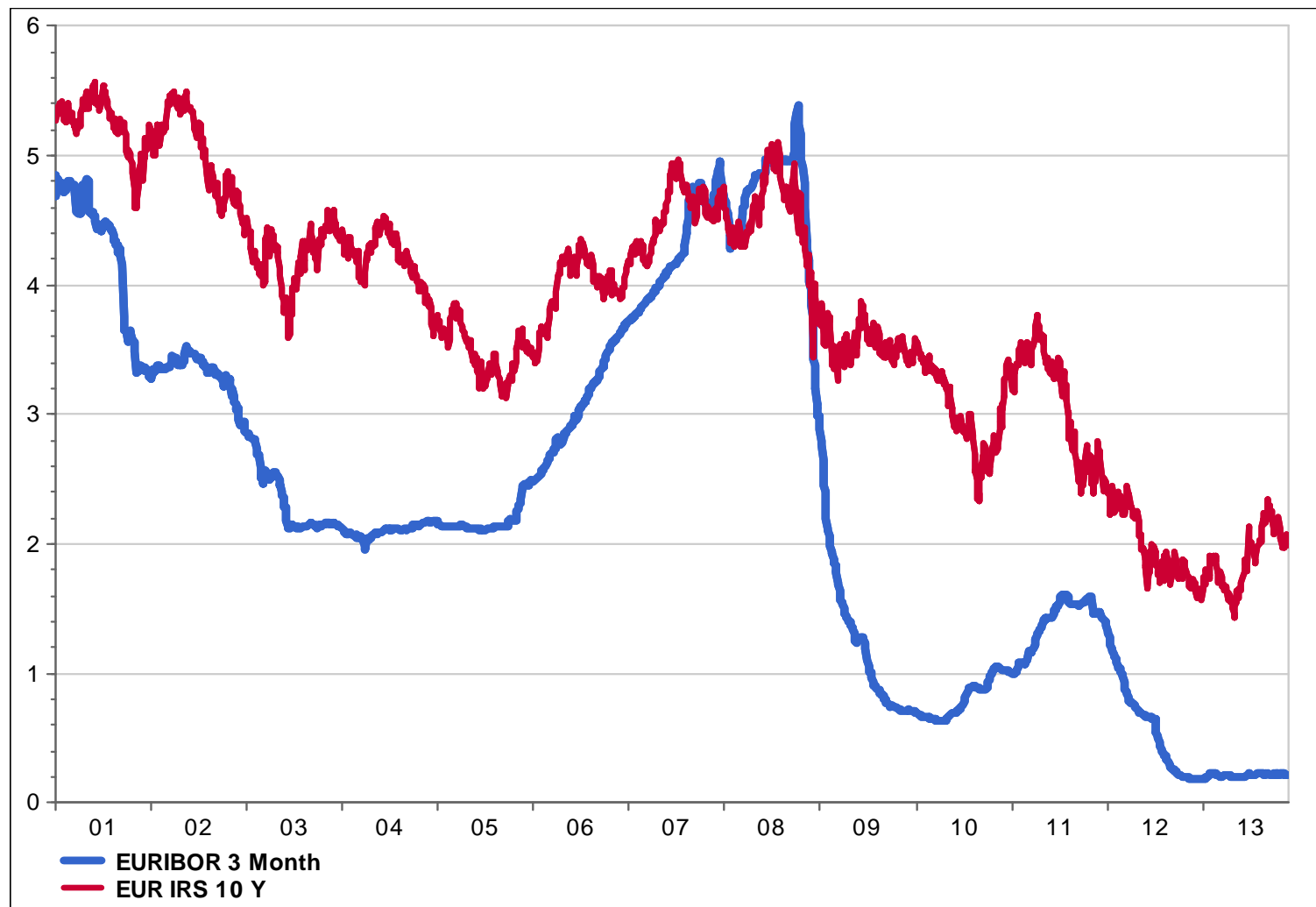
## 2. The financing of the economy is crucial

### ■ Abundant liquidity



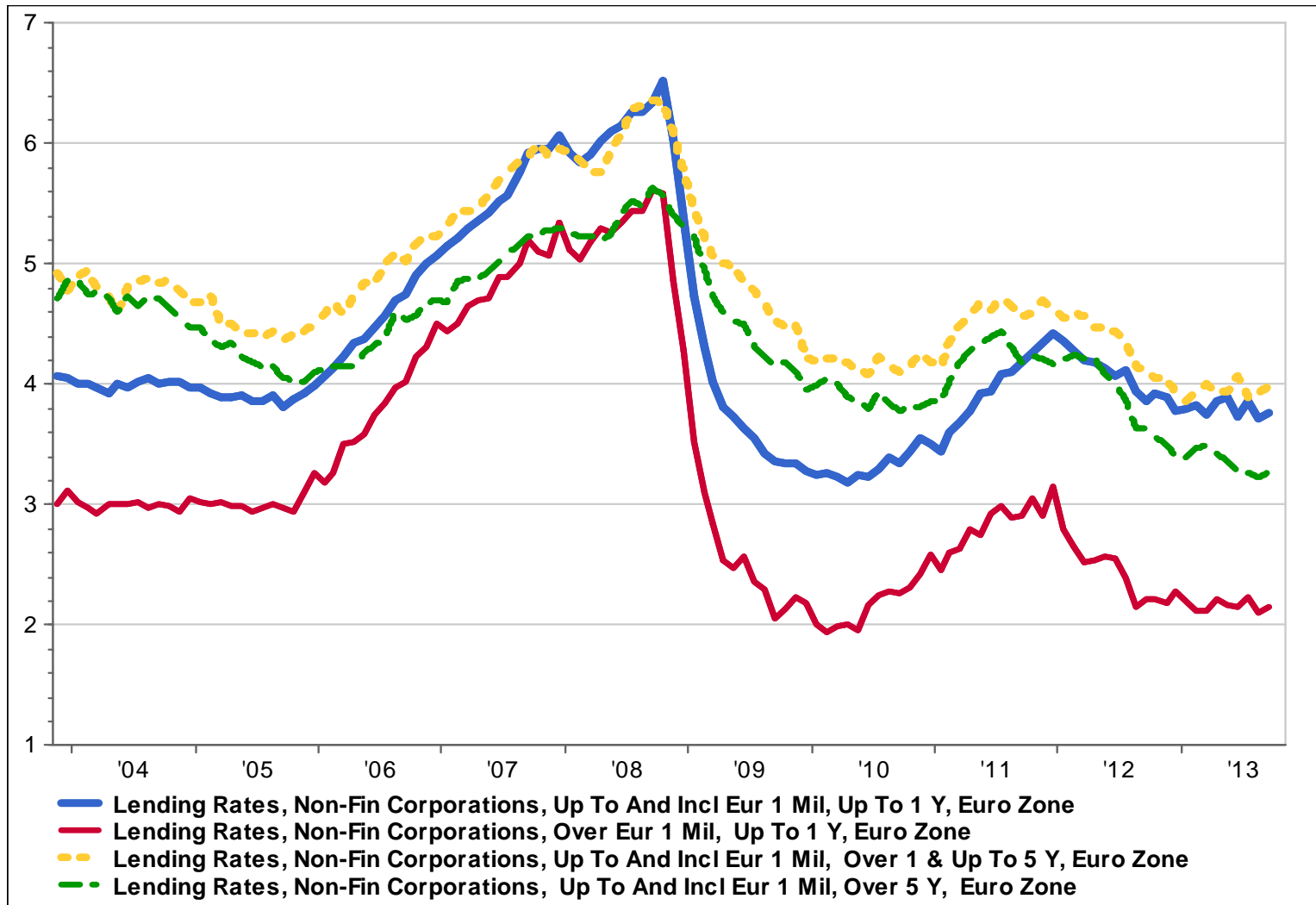
## 2. The financing of the economy is crucial

### ■ Structural decrease of LT and ST interest rates



## 2. The financing of the economy is crucial

### ■ Credits are cheap



## 2. The financing of the economy is crucial

- **Handicaps for rapid extension of bank credit**
  - Weak economy, so weak demand for credit
  - Basel III / CRD IV capital, liquidity, leverage requirements
  - Extension of risk management awareness
  - Less profitability via asset gathering, so less subsidiation of credits.

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### 3. “Funding for Lending” scheme in the UK

- Launched August 1, 2012, extended in April 2013 until January 2015
- Incentive for banks and building societies to boost their lending to SME's and households by reducing bank funding costs → Reduction of price of new loans → Increase of net lending
- Transformation is taking time due to long process of loan applications, approval and drawdown
- Collateral swap: participating banks offer securities with low rating and quality (with discount) to B of E. In return they receive British govies with good rating. Those govies are the collateral to obtain liquidity at a very low rate.
- Outstanding credit volume (June 2012) was 1.7 trillion GBP
- Estimated potential (June 2012) was 80 billion GBP
- Biggest bank decided not to participate → base was reduced to 1,4 trillion and 65 billion GBP
- Access fee only 0.25% if banks increase their net credit volume or intend to increase it. In case of deleveraging increase with 1% the fee is 0.50%, with 2% it is 0.75%, etc... max 1,50%

### 3. “Funding for Lending” scheme in the UK

- At June 30, 2013
  - 41 participants
  - Outstanding FLS drawings: 17,6 bn GBP
  - Net lending flow in Q2: 1,6 bn GBP
  - Net lending since June 30, 2012: -2,3 bn GBP
- Disappointing results due to
  - Weak demand
  - Capital requirements and implicit deleveraging
  - Weakness of banks
  - AQR forces banks to accelerate reduction of credit volumes



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## 4. Crowdfunding

- **Open calls to the wider public, typically through the internet, to finance a specific project**
- **Small individual contributions coming from a large number of individuals**
- **Types of project**
  - Artistic works
  - Philanthropic initiatives
  - Public projects
  - Innovation
  - R&D
  - Local business projects
  - ...
- **Campaigner collect funds directly or via web-based crowdfunding platform**
  - Publish campaigns
  - Reach contributors
  - Collect funds
  - Screening
  - Monitoring

## 4. Crowdfunding

- **Different forms**
  - Donations
  - Sponsoring (advertising in exchange for financing)
  - Rewards (product or service of lower value than the contribution)
  - Pre-selling (collecting funds to deliver and develop a product)
  - Lending (project borrows from the crowd with or without interest)
  - Securities-based investments (project issues shares or bonds to contributors to the crowdfunding campaign)
- **Advantages (not exhaustive)**
  - Bridging the finance gap for small start-ups and innovative projects of all kinds
  - More entrepreneurship, growth, job creation
  - More competition between sources of finances
  - Flexibility and speed and cheaper access to finance
  - Greater interaction with project which is financed
- **Risks (not exhaustive)**
  - Fraud
  - Misleading advertising
  - Payments platform
  - Project failure
  - Lack of liquidity for securities
  - Complex ownership model
  - Intellectual property rights protection

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## 5. Other alternatives

- **In Belgium**
  - WIN – WIN loans with fiscal advantages (max 200.000 euro)
  - Specific SME funds with state guarantee
  - People loan (emprunt populaire) with lower withholding tax to finance specific public and social projects
  - ...
- **In Europe**
  - EIB facilities
  - Different European funds
  - ECB proposal of securitisation of SME loans
  - ...